

Redstone Converged Solutions Limited
Directors' report and financial statements
For the year ended 31 March 2013

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Company number 02027207

Company information

Company registration number	02027207
Registered office	Newton House Cambridge Business Park Cowley Road Cambridge CB4 0WZ
Directors	A Weaver P Hallett I Smith
Company secretary	P Myhill
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory auditors The Atrium 1 Harefield Road Uxbridge UB8 1EX
Solicitors	Beechcroft LLP 100 Fetter Lane London EC4A 1BN
Principle bankers	Barclays Bank PLC 54 Lombard Street London EC3V 9EX

Redstone Converged Solutions Limited
Financial Statements for the year ended 31 March 2013

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Report of the directors for the year ended 31 March 2013

The directors present their report and the audited financial statements of the company for the year ended 31 March 2013

Principal activities, business review and future developments

The principal activity of the company during the year was the supply and then the maintenance of tailor-made communication solutions in the arena of network and cabling infrastructures

During the year the trade and assets of the hardware, maintenance, information communication technology (ICT) annuity businesses were sold to Redcentric MS Limited (formerly Maxima Managed Services Limited), as part of the restructuring before the demerger of the Redcentric plc group from the Redstone plc group. The sale proceeds were £700,000, with profit on disposal of £616,738

Management uses a range of performance measures to monitor and manage the business. Certain measures are particularly important in the generation of shareholder value and are considered key performance indicators (KPIs). Our KPIs measure past performance and provide information to allow us to manage the business.

Turnover and gross profit indicate the volume of work we have done and its profitability. KPI's for 2013 are shown in the table below, along with prior year comparatives

	2013	2012	% Change in year
KPIs			
Turnover	45,163,885	54,671,588	(17.3%)
Gross Profit	9,516,824	10,899,150	(12.7%)

The key non-financial indicators are associated with Redstone Converged Solutions Limited's ability to maintain its existing customer base and to attract new customers, contract delivery and the future order pipeline which the directors consider to be the principal risks and uncertainties facing the business.

Results and dividends

There was a profit for the financial year amounting to £1,909,078 (2012 profit £3,808,089)

Net assets of the company at year end are £14,923,052 (2012 £13,007,413)

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements

Going forward the company's principal activity will be the installation of cabling infrastructure

No dividends were paid this year (2012 £nil)

The Redstone plc Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of the Redstone plc group, of which the Company is a member

Report of the directors for the year ended 31 March 2013 (continued)

Directors

The present membership of the board is set out below. All served on the board throughout the year and up to the date of signing the financial statements except as noted below.

F Philbin (resigned on 31/10/2012)

A Weaver

P Hallett

I Smith

Policy on the payment of creditors

The company's policy for all suppliers is to fix terms of payment when agreeing the terms of each transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of each payment. Year-end trade creditors for the company represent 57 days (2012: 43 days) purchases.

Financial risk management objectives and policies

The company has a variety of financial instruments including cash, trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from the previous year.

a) Market risk

i Foreign exchange risk

The company is exposed to transaction foreign exchange risk occasionally. If transaction exposures, including those associated with forecast transactions were significant, they would be hedged when known, principally using forward currency contracts. These are infrequent and whilst the aim is to achieve an economic hedge, the company does not adopt an accounting policy of hedge accounting for these financial statements. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

ii Cash flow interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings. Borrowings at variable rates expose the company to cash flow interest rate risk. The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit or loss of a defined interest rate shift and manages its cash flow interest rate risk by using hedges where appropriate.

i Price risk

The company is not exposed to significant commodity price risk.

Report of the directors for the year ended 31 March 2013 (continued)

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, amounts recoverable on contracts and committed transactions. In order to manage credit risk the directors set individual risk limits for customers based on a combination of payment history and third party credit references. The utilisation of credit limits, ageing debt and collection history is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

c) Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Donations

During the year the company made the following contributions

	2013	2012
	£	£
National Heart Hospital	-	564
Royal Marsden Hospital	1,070	-
Breast Cancer	-	189
Withycombe Rugby Club	1,000	-
Diabetes UK	640	-
Miscellaneous	1,445	250
Total charitable donations made for the financial year	4,155	1,003

Employees

The company's employment policies are designed to ensure that they meet the statutory, social and market practices in the UK where the company operates. The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its relationship with its staff.

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Report of the directors for the year ended 31 March 2013 (continued)

Events after the balance sheet date

Demerger

Following the acquisition of Maxima by Redstone plc, the Redstone plc Group comprised two main operating businesses, the Network-Based Managed Services Business and the Infrastructure Solutions Business. This split is consistent with that in Redstone Converged Solutions Limited before the sale of the trade and assets of the Network-Based Managed Services Business. This is classified as discontinued operations within the financial statements.

The Network-Based Managed Services Business and the Infrastructure Solutions Business are distinct business units with separate strategic, capital, and economic characteristics. Following the acquisition of Maxima in November 2012 and its subsequent integration, the Group had a Network-Based Managed Services Business with combined historic revenues of approximately £45.0 million based on the results for the financial year ended 31 March 2012 for Redstone plc and the results for the financial year ended 31 May 2012 for Maxima, with a targeted divisional EBITDA margin of 20% per annum.

The Group Board did not believe that the market fully appreciated the attributes of this business while it was combined with the Infrastructure Solutions Business. Businesses with similar characteristics and profit margins to the Network-Based Managed Services Business historically command a valuation with a higher price/earnings multiple than that of the Redstone Group. Furthermore, it was the opinion of the Group Board that the two divisions were less likely to maximise their potential performance if they continued to be operated as part of one group.

Given these factors, the Group Board, together with its advisers, evaluated several options for maximising shareholder value, giving due consideration to a range of alternatives and factors. They concluded that a demerger of the Network-Based Managed Services Business into a separate AIM listed company called Redcentric plc was in the best interests of the business and would deliver additional value to shareholders over time by:

- allowing Redstone and Redcentric to pursue their strategic objectives independently with greater control over resources and opportunities,
- increasing management and board focus on the particular needs of each company,
- allowing the Network-Based Managed Services Business of Redcentric to become a focused managed services business, showcasing its improved operating margins, and
- providing shareholders with added flexibility in their investment decisions.

The Demerger was effected on 8 April 2013. Redstone Converged Solutions Limited remains part of the Redstone plc group, with the continuing operations consisting of cabling infrastructure projects.

Change in Board

On 28 June 2013, following the successful completion of the demerger, Peter Hallett, Chief Financial Officer of the Redcentric and Redstone Groups, and a director of the company, gave notice of his resignation in order to pursue new professional challenges. Peter has been with the Group for over four years and has successfully completed the restructuring of Redstone plc and the demerger and flotation of Redcentric plc. Peter has a twelve-month notice period and will remain as Director of the Company until a successor has been recruited.

Report of the directors for the year ended 31 March 2013 (continued)

Directors Indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

The directors confirm that as far as they are aware and at the time of approving this report

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of relevant audit information and to establish that the auditors are aware of that information.

On behalf of the board

Peter Hallett
Director
Date


21.08.13

Independent auditors' report to the members of Redstone Converged Solutions Limited

We have audited the financial statements of Redstone Converged Solutions Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors:

As explained more fully in the Directors' Responsibilities Statement set out on page 6 of the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

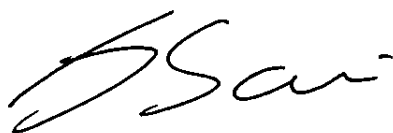
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Redstone Converged Solutions Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jaskamal Sarai (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

Date 31/10/13

Profit and loss account for the year ended 31 March 2013

	Note	2013 £	Restated 2012 £
Turnover			
- Continuing operations		30,814,565	40,955,155
- Discontinued operations	22	14,349,320	13,716,433
	2	45,163,885	54,671,588
Cost of Sales		(35,647,061)	(43,772,438)
Gross Profit		9,516,824	10,899,150
Administration expenses		(8,315,790)	(8,850,655)
Operating profit/(loss)			
- Continuing operations	3	1,951,865	2,898,915
- Discontinued operations	22	(750,831)	(850,420)
Exceptional items	3, 22	616,738	765,634
Interest receivable and similar income	6	33	180
Interest payable and similar charges	7	(45,007)	(328)
Profit on ordinary activities before taxation		1,772,798	2,813,981
Tax on profit on ordinary activities	8	137,000	994,108
Profit for the financial year		1,909,798	3,808,089

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical costs equivalents

There are no other gains or losses other than profit for the financial years. Accordingly no statement of total recognised gains and losses is presented

Balance sheet as at 31 March 2013

Registered number 02027207

	Note	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	9		152,164		1,015,171
Current assets					
Stocks	11	310,711		444,539	
Debtors	12	19,867,774		20,606,867	
Cash at bank and in hand		5,651,889		6,046,783	
		<u>25,830,374</u>		<u>27,098,189</u>	
Creditors amounts falling due within one year	13	(11,059,486)		(15,105,947)	
Net current assets			<u>14,770,888</u>		<u>11,992,242</u>
Total assets less current liabilities			<u>14,923,052</u>		<u>13,007,413</u>
Capital and reserves					
Called up share capital	17		900,000		900,000
Profit and loss account			<u>14,023,052</u>		<u>12,107,413</u>
Total shareholders' funds	18		<u>14,923,052</u>		<u>13,007,413</u>

The financial statements on pages 9 to 22 were approved by the directors and are signed on their behalf by



Peter Hallett
 Director

Date

31/10/13

Notes to the financial statements for the year ended 31 March 2013

1. Principal accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The financial statements contain information about Redstone Converged Solutions Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Redstone plc, a company incorporated in England and Wales

The directors have reviewed the principal accounting policies of the company and consider they remain the most appropriate for the company. The principal accounting policies of the company which have remained unchanged from previous period and applied consistently throughout the year are set out below

Discontinued operations

Cash flows and operations that relate to a major component of the business that has been disposed is shown separately from continuing operations. Comparative amounts have been restated

Cash flow statement

The company is a wholly owned subsidiary company of a group headed by Redstone plc, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement

Related parties disclosure

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related party disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Redstone plc, whose consolidated financial statements are publicly available

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales duty

Turnover from fixed price construction contracts is recognised on the percentage of completion method, to the extent that the level of completion for a contract can be reliably measured. Turnover includes expenses to the extent that they are recoverable. Where the percentage of completion cannot be reliably measured, turnover is recognised when specified contractual milestones are met or on project completion. When it is probable that total contract costs will exceed total turnover, the expected loss is recognised immediately. Turnover relating to contracted maintenance is recognised evenly over the period of the agreement

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as 'amounts recoverable on contracts' within debtors. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as deferred income within creditors

Notes to the financial statements for the year ended 31 March 2013 (continued)

1. Principal accounting policies (continued)

Tangible fixed assets

All tangible fixed assets are recorded at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated so as to write off the cost of tangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

Premises improvements	-	20%
Fixtures and fittings	-	20%
Office equipment	-	33 & 1/3%

Fixed asset investments

Fixed asset investments are included at cost less amounts written off for impairment. These are reviewed for impairment where the directors believe there has been an indication of potential impairment. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Stocks

Stocks are valued at the lower of standard cost and net realisable value on a first in first out (FIFO) basis after making allowance for any obsolete or slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the period of the lease.

Financial lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of estimated useful life and lease term. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Pension costs

The company operates a defined contribution pension scheme for the directors and employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gain or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability. Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Notes to the financial statements for the year ended 31 March 2013 (continued)

1. Principal accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Accounting for research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

2. Turnover

A geographical analysis of turnover from the company's principal activity is given below.

	2013 £	2012 £
United Kingdom	44,870,570	53,743,687
Europe	293,315	927,901
	<u>45,163,885</u>	<u>54,671,588</u>

The principal activity of the company is considered by the directors to be a single class of business.

3. Operating profit

Operating profit is stated after charging

	2013 £	2012 £
Depreciation of owned tangible fixed assets	526,896	410,345
Auditors' remuneration		
Audit fees	63,000	63,000
Operating lease costs		
Plant and machinery	110,641	136,687
Land and buildings	295,418	384,065
Hire of equipment	<u>62,654</u>	<u>89,298</u>

Notes to the financial statements for the year ended 31 March 2013 (continued)

3. Operating profit (continued)

Exceptional items recognised in 2013 relate to the profit on disposal of the discontinued part of the business as shown in note 22

Exceptional items recognised in 2012 relates to the consideration for the sale of part of the business which took place in 2011. The corresponding receivable was recognised in Debtors (Amounts owed by group undertakings)

4. Employees

The average monthly number of staff employed (including directors) by the company during the year amounted to

	2013 Number	2012 Number
Administrative staff	62	73
Sales and distribution	252	291
	<u>314</u>	<u>364</u>

The aggregate payroll costs of the above were

	2013 £	2012 £
Wages and salaries	14,710,455	16,347,483
Social security costs	1,676,338	1,866,107
Share based payments	5,841	36,852
Pension costs (note 19)	493,470	444,518
	<u>16,886,104</u>	<u>18,694,960</u>

5. Directors

Remuneration in respect of directors was as follows

	2013 £	2012 £
Aggregate emoluments (excluding pension contributions)	189,121	220,426
Value of company pension contributions to money purchase schemes	8,946	24,603
	<u>198,067</u>	<u>245,029</u>

Notes to the financial statements for the year ended 31 March 2013 (continued)

5. Directors (Continued)

Emoluments of highest paid director

	2013	2012
	£	£
Total emoluments (excluding pension contributions)	189,121	134,778
Value of company pension contributions to money purchase schemes	8,946	13,418
	<u>198,067</u>	<u>148,196</u>

Included within the total emoluments is compensation for loss of office of £104,096

The number of directors who accrued benefits under company pension schemes was as follows

	2013	2012
	Number	Number
Money purchase schemes	<u>1</u>	<u>1</u>

Several of the directors are paid for their services to the Redstone plc group as a whole and not specifically to Redstone Converged Solutions Limited. Their remuneration is disclosed in the Redstone plc group consolidated financial statements.

6. Interest receivable and similar income

	2013	2012
	£	£
Bank interest	<u>33</u>	<u>180</u>

7. Interest payable and similar charges

	2013	2012
	£	£
Interest payable on bank borrowing	<u>45,007</u>	<u>328</u>

Notes to the financial statements for the year ended 31 March 2013 (continued)

8. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2013 £	2012 £
Current tax		
UK corporation tax on profit for the year	-	-
Total current tax (note 8(b))	-	-
Deferred tax movement (note 14) – current	137,000	994,108
Total deferred tax	137,000	994,108
Total tax credit on profit on ordinary activities	137,000	994,108

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2012 lower) than the standard rate of corporation tax in the UK of 24% (2012 - 26%)

	2013 £	2012 £
Profit on ordinary activities before taxation	1,772,798	2,813,981
Profit on ordinary activities multiplied by rate of tax at 24% (2012 - 26%)	425,472	731,635
Expenses not deductible for tax purposes	14,400	75,664
Adjustment to short term timing differences	(15,120)	-
Capital allowances less than depreciation	126,455	268,792
Utilisation of tax losses and group relief	(551,207)	(1,076,091)
Total current tax charge (note 8(a))	-	-

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. In addition to the change in rates of corporation tax mentioned above, further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The impact of the rate changes would not have a significant impact on the recognised deferred tax balances.

Notes to the financial statements for the year ended 31 March 2013 (continued)

9. Tangible assets

	Premises improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At April 2012	812,701	52,468	3,191,260	4,056,429
Additions	93,947	558	965,055	1,059,560
Disposals	-	-	(102,768)	(102,768)
Transfer to fellow group company	(273,232)	-	(2,458,349)	(2,731,581)
At 31 March 2013	<u>633,416</u>	<u>53,026</u>	<u>1,595,198</u>	<u>2,281,640</u>
Accumulated depreciation				
At 1 April 2012	424,045	45,359	2,571,854	3,041,258
Charge for the year	219,187	2,404	305,305	526,896
Disposals	-	-	(102,768)	(102,768)
Transfer to fellow group company	(109,202)	-	(1,226,706)	(1,335,908)
At 31 March 2013	<u>534,030</u>	<u>47,763</u>	<u>1,547,685</u>	<u>2,129,478</u>
Net book value				
At 31 March 2013	<u>99,386</u>	<u>5,263</u>	<u>47,513</u>	<u>152,162</u>
At 31 March 2012	<u>388,656</u>	<u>7,109</u>	<u>619,406</u>	<u>1,015,171</u>

10. Fixed asset investments

	Shares in group undertaking £
Cost	
1 April 2012 and 31 March 2013	<u>1</u>
Accumulated impairment	
1 April 2012 and 31 March 2013	<u>1</u>
Net book value	
At 31 March 2012 and 31 March 2013	<u>-</u>

Notes to the financial statements for the year ended 31 March 2013 (continued)

10. Fixed asset investments (continued)

At 31 March 2012 and 31 March 2013, the company wholly owned the share capital of the following undertakings

Subsidiary	Country of incorporation / registration	Class of share capital held	Proportion Held £
Comunica Group Limited	England & Wales	Ordinary	100%

Comunica Group Limited was dormant throughout the year

11. Stocks

	2013 £	2012 £
Raw materials	<u>310,711</u>	<u>444,539</u>

12. Debtors

	2013 £	2012 £
Trade debtors	6,331,857	5,603,769
Amounts recoverable on contracts	3,322,222	4,135,519
Amounts owed by group undertakings	8,253,544	7,480,200
Prepayments and accrued income	526,151	2,090,379
Deferred tax asset (note 14)	1,434,000	1,297,000
	<u>19,867,774</u>	<u>20,606,867</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

The debtors above include the following amounts falling due after more than one year

	2013 £	2012 £
Amounts recoverable on contracts	<u>70,858</u>	<u>84,197</u>

Notes to the financial statements for the year ended 31 March 2013 (continued)

13. Creditors: amounts falling due within one year

	2013	2012
	£	£
Trade creditors	5,562,067	4,731,022
Amounts owed to group undertakings	714,121	2,275,621
Taxation and social security	1,739,840	1,651,702
Payments received on account	338,243	258,222
Accruals and deferred income	2,705,215	6,189,380
	<u>11,059,486</u>	<u>15,105,947</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand

14. Deferred tax

Deferred taxation recognised in the financial statements relates predominantly to trading losses and is set out below

	2013 Recognised	2012 Recognised
	£	£
Deferred tax asset		
At 31 March 2013 and 2012	<u>1,434,000</u>	<u>1,297,000</u>
	<u>1,434,000</u>	<u>1,297,000</u>
	2013	2012
	£	£
Tax losses	927,000	838,000
Accelerated capital allowances	481,000	435,000
Other	26,000	24,000
	<u>1,434,000</u>	<u>1,297,000</u>
Total deferred tax	<u>1,434,000</u>	<u>1,297,000</u>
At start of Year	1,297,000	
Deferred tax credit in profit and loss account for the year	137,000	
	<u>1,434,000</u>	
At end of year	<u>1,434,000</u>	

Notes to the financial statements for the year ended 31 March 2013 (continued)

14. Deferred tax (continued)

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements

There is an unrecognised deferred tax asset of £925,000 (2012 £1,043,000). Deferred tax assets have not been recognised in respect of losses where it is the view of the Directors that it is not probable that future taxable profits will be available to offset against any deferred tax asset.

15. Lease commitments

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as set out below

	Property 2013 £	Plant and Machinery 2013 £	Property 2012 £	Plant and Machinery 2012 £
Operating leases which expire				
In one year or less	176,800	74,797	176,800	10,408
Between one and five years	81,250	116,272	270,911	-
In five years or more	-	-	-	-
	<u>258,050</u>	<u>191,069</u>	<u>447,711</u>	<u>10,408</u>

16. Contingent liabilities

There are contingent liabilities in respect of performance guarantees entered into by the company in the normal course of business. It is expected that any performance guarantees that are required to be settled will be done so without any material impact to the company's financial position.

The Redstone plc Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of the Redstone plc group, of which the Company is a member.

There were no other contingent liabilities at 31 March 2013 or 31 March 2012.

17. Called up share capital

Authorised share capital

	2013 £	2012 £
900,000 ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>
Allotted up and fully paid		
	2013 Number	2012 Number
Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>

Notes to the financial statements for the year ended 31 March 2013 (continued)

18. Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Profit for the financial year	1,909,798	3,808,089
Share based payments	5,841	36,852
	<u>1,915,639</u>	<u>3,844,941</u>
Opening shareholders' funds	13,007,413	9,162,472
Closing shareholders' funds	<u>14,923,052</u>	<u>13,007,413</u>

19. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £493,470 (2012 - £444,518). There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2012 £nil).

20. Ultimate parent company

The directors regard Redstone plc, incorporated in the United Kingdom, as the company's ultimate parent undertaking in which the results of the company are consolidated. The consolidated financial statements of this company are available to the public and may be obtained from Newton House, Cambridge Business Park, Cowley Road, Cambridge, CB4 0WZ. Redstone plc is the only group to include these financial statements in their consolidation.

21. Events after the balance sheet date

Demerger

Following the acquisition of Maxima by Redstone plc, The Redstone Group comprised two main operating businesses, the Network-Based Managed Services Business and the Infrastructure Solutions Business. The Board concluded that a demerger of the Network-Based Managed Services Business into a separate AIM listed company called Redcentric plc was in the best interests of the business and would deliver additional value to shareholders over time. The Demerger was effected on 8th April 2013. Redstone Converged Solutions Limited remain part of the Redstone plc Group, with the focus purely on the cabling infrastructure projects going forward.

Change in Board

On 28 June 2013, following the successful completion of the demerger, Peter Hallett, Chief Financial Officer of the Redstone Group and a Director of this company, gave notice of his resignation in order to pursue new professional challenges. Peter has been with the Group for over four years and has successfully completed the restructuring of Redstone plc and the demerger and flotation of Redcentric plc. Peter has a twelve-month notice period and will remain as Chief Financial Officer of the Company until a successor has been recruited.

Notes to the financial statements for the year ended 31 March 2013 (continued)

22. Discontinued operations

On 28 March 2013 the company transferred its hardware maintenance and cloud business to a fellow group company which was subsequently sold to Redcentric plc as part of the demerger of the Redstone group which took place in April 2013. All new Information Communication and Technology (ICT) contracts from that date would form part of the demerged business and the company would no longer operate within the ICT arena. As a result of the material change in the nature and focus of the group's operations that this disposal represented, it has been treated as a discontinued operation in the profit and loss account. The results of this business were as follows:

	2013	2012
	£	£
Revenue	14,349,320	13,716,433
Cost of Sales	(11,324,339)	(10,423,873)
Gross Profit	3,024,981	3,292,560
Administrative expenses	(3,775,812)	(4,142,980)
Operating loss	(750,831)	(850,420)
Interest payable and similar charges	(45,007)	(328)
Loss on ordinary activities before tax	(795,838)	(850,748)
Tax on loss on ordinary activities	-	-
Loss on ordinary activities (from discontinued operations in the year)	(795,838)	(850,748)
Profit on disposal of the Network-Based Managed Services Business	£	
Proceeds	700,000	
Net assets at disposal		
Tangible assets	1,395,672	
Current assets	1,704,829	
Current liabilities	(3,017,239)	
Net assets disposed of	83,262	
Profit from disposal of discontinued operations	616,738	